

# Economic Development Change And North Carolina

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# Rankings, Tiers, and Adjustments

- The Department of Commerce annually ranks counties by average rate of unemployment (12 months), median household income (12 months), percentage growth in population (36 months), adjusted assessed property value per capita (most recent taxable year)
- 40 highest/most economically distressed counties are tier 1 (T1), next 40 most economically distressed counties are tier 2 (T2), the remaining 20 counties are tier 3 (T3), unless there is an adjustment factor
- Adjustments: Counties with a population of less than 12,000 are automatically T1, Counties with a population of less than 50,000 are automatically T1 or T2, Counties with a population less than 50,000 with more than 19% of population below federal poverty level are automatically T1, Counties designated T1 remain T1 regardless of rankings until it has been a T1 area for at least 2 consecutive years
- Usage: eligibility determinations, award calculations, match requirements

# Job Development Investment Grant Program

- Discretionary incentive program for businesses (new or existing) that create new jobs in the State
- Amount of incentive = (withholdings of the created eligible positions) X (percentage up to 80% for tier 1 and up to 75% for all other tiers)
- Project must create at least 10 jobs in tier 1, at least 20 jobs in tier 2, or at least 50 jobs in tier 3
- Maximum annual cost of JDIG agreements: \$20M/CY, unless a high-yield project is awarded (\$500M investment; 1,750 eligible positions)
- Agreement term: 12 year max (except for HYP: 20 year max)
- Utility Account diversion of percentage of earned award: 10% for tier 2 awards, 25% for tier 3 awards.
- Proportionate recapture if a business fails to maintain operations at the project for at least 150% of the agreement term

# One North Carolina Fund

- Discretionary incentive program with moneys allocated to local governments to secure commitments for recruiting, expanding, or retaining new and existing businesses.
- Funds are used to:
  - Install/purchase equipment
  - Structure repairs, improvements, or renovations to existing buildings
  - Construction of utility infrastructure for existing or proposed buildings
- Maximum One NC commitment: \$28M/ fiscal biennium
- Two agreements: (i) Local government grant agreement: between State and one or more local governments and (ii) Company performance agreement: between local government and business
- Local match: \$3 State to \$1 Local (T1); \$2 State to \$1 Local (T2); Even match for T3

# Industrial Development Fund Utility Account

- Discretionary fund used for construction/improvement of utility infrastructure for projects reasonably anticipated to create new jobs
- Restricted to tier one and two counties
- No local match requirement for 25 most economically distressed counties

# History & Evolution of Tier Links

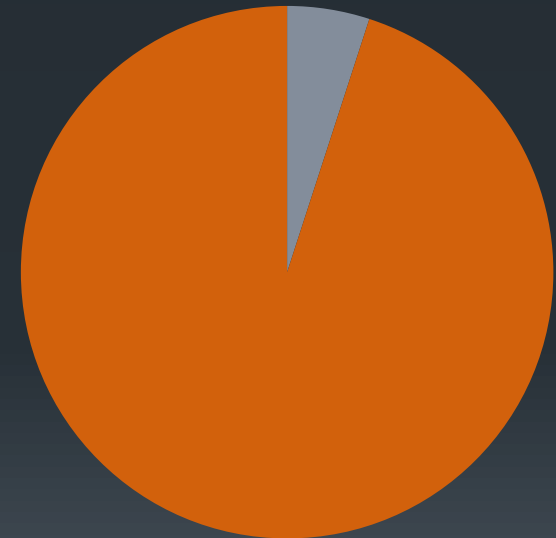
- One NC Fund (Part 2H, Art. 10, Chapter 143B):
  - Local match requirement:: pre-2015: non-tiered local match requirement; 2015: tier linked local match requirement: \$3 State: \$1 Local for T1; \$2 State: \$1 Local for T2; even match for T3
- JDIG (Part 2G, Art. 10, Chapter 143B)
  - Job creation minimum: pre-2015: 10 for T1, 20 for T2 and T3; 2015: increase T3 to 50
  - Max award calculation: pre-2015: non-tiered calculation: 10-75% of withholdings; 2015: tier linked (up to 80% of withholdings created for T1; up to 75% for T2 and T3
  - UA diversion amount: pre-2015: 25% for T3, 15% for T2; 2015: T2 reduced to 10%
- Utility Account (143B-437.01)
  - Eligibility: tier-linked (limited to T1,2) - unchanged
  - Local match requirements: rankings linked (no local match for 25 most distressed counties) - unchanged

# Ongoing Review

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- Program Evaluation Division Study and Recommendations
- Program Evaluation Division Oversight Committee draft legislation
- Economic Development and Global Engagement Joint Oversight Committee draft legislation
- Contract with the Center for Competitive Economies and analysis by Brent Lane
- Analyses looked at, among other things, whether to change the tier distress factors, level of measurement, whether to eliminate the adjustment factors, whether to replace the tiers with an index, and programmatic changes

## Areas of Agreement



- Consensus: Adjustment Factors
- Everything Else

# Trends

- JDIG:

- 2015 Total Grant Awards and Amounts:

	#/Awards	Dollars/Awards	%/Awards
▪ Tier 1:	0	\$0	0%
▪ Tier 2:	3	\$11.23M	11.63%
▪ Tier 3:	12	\$85.307M	88.37%

- 2016 Total Grant Awards and Amounts:

▪ Tier 1:	2	\$7.318M	10.86%
▪ Tier 2:	4.5	\$6.918M	10.27%
▪ Tier 3	8.5	\$53.121M	78.87%

- One NC

- 2015 Total Awards and Amounts:

▪ Tier 1	11	\$3.263M	29.21%
▪ Tier 2	14	\$3.184M	28.51%
▪ Tier 3	12	\$4.722M	42.28%

- 1<sup>st</sup> Half CY 2016 Total Awards and Amounts

▪ Tier 1	6	\$2.13M	48.66%
▪ Tier2	6	\$1.497M	34.20%
▪ Tier3	3	\$.75M	17.14%